17th Contracting Squadron

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Train and deploy the world's foremost combat ready Intelligence, Fire Protection, and Special Instruments Soldiers, Marines, Sailors, and Airmen that will be persuasive in peace, decisive in war, and preeminent in any form of combat

LETTER CONTRACTS

2k7

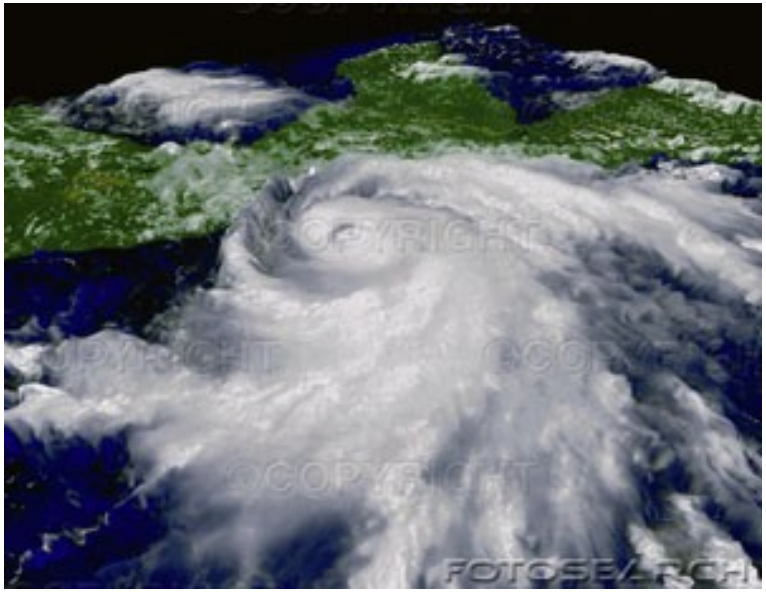
01 Dec 05

U.S. AIR FORCE

Integrity - Service - Excellence

Overview

- DEFINITION
- CLAUSES
- DEFINITIZATION SCHEDULE
- COMPETITION
- SUMMARY



DEFINITION

- Written Preliminary Contractual Instrument that Authorizes the Contractor to:
  - Perform Services
  - Manufacture Supplies
  - FAR 16.603
- Used When:
  - A binding commitment is required for work to start immediately and
  - Negotiating a definitive contract is not possible in sufficient time

Letter Contract?

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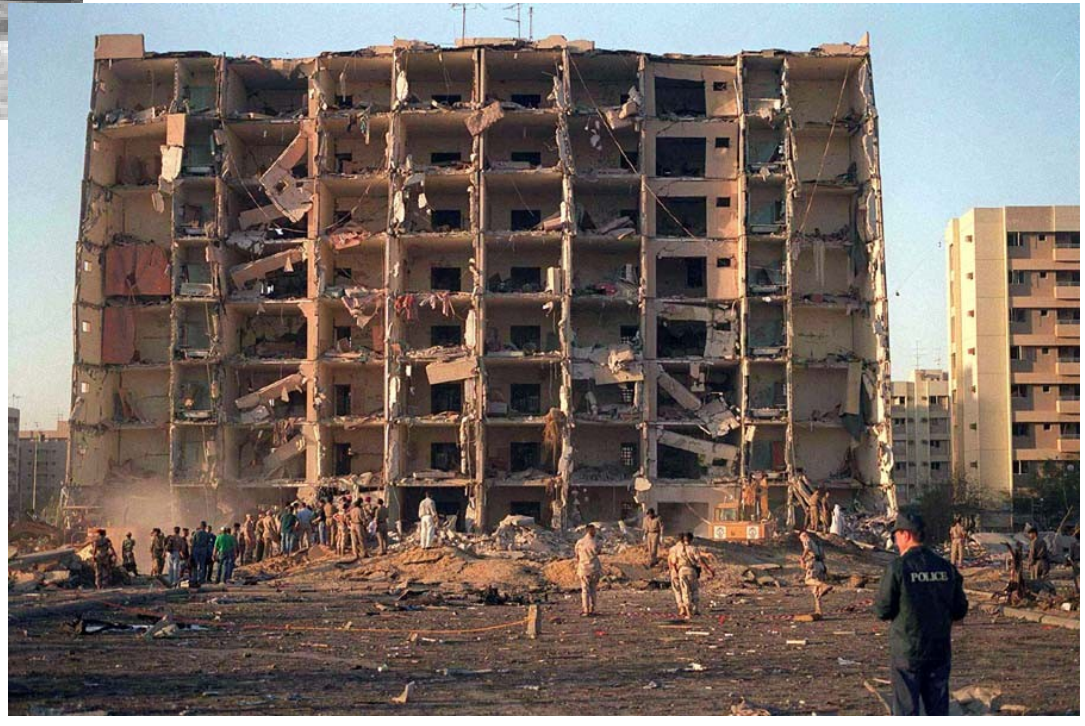

Letter Contract?

- Northrop Grumman Corp., Bethpage, N.Y., is being awarded a $35,900,000 modification to definitize a previously awarded letter contract (N00019-99-C-1685) to a firm-fixed-price contract. This modification provides additional funding for upgrade kits, installation and integrated logistics support for the Egyptian E-2C aircraft under the Foreign Military Sales Program

CLAUSES

- 52-216-23: Execution and Commencement of Work

The Contractor shall indicate acceptance of this letter contract by signing three copies of the contract and returning them to the Contracting Officer not later than _____ [insert date]. Upon acceptance by both parties, the Contractor shall proceed with performance of the work, including purchase of necessary materials.

CLAUSES (CONT.)

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- 52-216-24: Limitation of Gov't Liability

Limitation of Government Liability (Apr 1984)

(a) In performing this contract, the Contractor is not authorized to make expenditures or incur obligations exceeding _____ dollars.

(The estimated amount necessary to cover the contractor's requirements before definitization)

(b) The maximum amount for which the Government shall be liable if this contract is terminated is _____ dollars.

(16.603-2(d) the amount shall not exceed 50% of the estimated cost of the definitive contract)

CLAUSES (CONT.)

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- 52.216-25: Contract Definitization

(a) A _____ [insert specific type of contract] definitive contract is contemplated. The Contractor agrees to begin promptly negotiating with the Contracting Officer the terms of a definitive contract that will include

(1) all clauses required by the Federal Acquisition Regulation (FAR) on the date of execution of the letter contract,

(2) all clauses required by law on the date of execution of the definitive contract, and

(3) any other mutually agreeable clauses, terms, and conditions. The Contractor agrees to submit a _____ [insert specific type of proposal; e.g., fixed-price or cost-and-fee] proposal and cost or pricing data supporting its proposal.

(b) The schedule for definitizing this contract is [insert target date for definitization of the contract and dates for submission of proposal, beginning of negotiations, and, if appropriate, submission of make-or-buy and subcontracting plans and cost or pricing data]:

(c) If agreement on a definitive contract to supersede this letter contract is not reached by the target date in paragraph (b) of this section, or within any extension of it granted by the Contracting Officer, the Contracting Officer may, with the approval of the head of the contracting activity, determine a reasonable price or fee in accordance with Subpart 15.4 and Part 31 of the FAR, subject to Contractor appeal as provided in the Disputes clause. In any event, the Contractor shall proceed with completion of the contract, subject only to the Limitation of Government Liability clause.

(1) After the Contracting Officer's determination of price or fee, the contract shall be governed by --

(i) All clauses required by the FAR on the date of execution of this letter contract for either fixed-price or cost-reimbursement contracts, as determined by the Contracting Officer under this paragraph (c);

(ii) All clauses required by law as of the date of the Contracting Officer's determination; and

(iii) Any other clauses, terms, and conditions mutually agreed

- Target Definitization Date: Within 180 days after the date of the letter contract

Or

- Before completion of 40% of the work to be performed.

Definitization

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- Letter Contract Must Include Definitization Schedule Which Includes:
  - Dates for Submission of Contractor's
    - Price Proposal
    - Subcontracting Plan
    - Start of Negotiations
    - Target Date for Definitization
- Definitization Must Occur
  - 180 Days After the date of the letter contract
  - Before Completion of 40 Percent

CLAUSES (CONT.)

- 52.216-26: Payments of Allowable Costs (only for Cost-reimbursement definitive contracts)
  - Reimbursement Rate
    - 80 Percent of Allowable Cost
  - Invoicing
    - No more than Every 2 Weeks
  - Allowable Costs
    - Items Purchased for Contract
    - Costs Incurred for Contracts
  - Small Business
    - Can Invoice More Often than 2 Weeks

Limitations

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- FAR 16.603-3: Letter Contracts may be used only after the HCA or a designee determines in writing that no other contract is suitable.

- Letter contracts shall not --
- (a) Commit the Government to a definitive contract in excess of the funds available at the time the letter contract is executed;
- (b) Be entered into without competition when competition is required by Part 6; or
- (c) Be amended to satisfy a new requirement unless that requirement is inseparable from the existing letter contract. Any such amendment is subject to the same requirements and limitations as a new letter contract.

Summary

- QUESTIONS

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I n t e g r i t y - S e r v i c e - E x c e l l e n c e